



**DEPARTMENT OF
FINANCE**
OFFICE OF THE DIRECTOR

EDMUND G. BROWN JR. • GOVERNOR

STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

May 13, 2016

Honorable Mark Leno, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Mark Ibele, Staff Director (2)

Honorable Phil Ting, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

**Amendment to Budget Bill Item 0530-001-9745, and Addition of Item 0530-017-0942,
Support, Health and Human Services Agency**

California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS)

(Issue 401-MR)—It is requested that Item 0530-001-9745 (California Health and Human Services Automation Fund) be decreased by \$1,641,000 to align the Office of Systems Integration's expenditure authority with the revised CalHEERS project costs for fiscal year 2016-17. Conforming changes to Budget Bill language is also proposed to Provision 3 of this Item (see Attachment 1).

Use, Disclosure, and Protection of Specially Protected Health Information

(Issue 400-MR)—It is requested that Item 0530-017-0942 (Special Deposit Fund) be added to reflect the anticipated receipt of an \$800,000 grant awarded by the California Healthcare Foundation. These one-time funds will be used by the California Office of Health Information Integrity to secure subject matter expert consultants to assist in the development of guidance for non-state organizations, local governments, health care providers, Health Information Exchange entities, and other stakeholders. The guidance will clarify federal and state laws pertaining to the use, disclosure, and protection of health information in the areas of mental health, substance abuse, HIV/AIDS, and behavioral health to help ensure compliance with health information privacy laws in these areas of care (see Attachment 2).

The grant is expected to be awarded in late June 2016.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Yang Lee, Principal Program Budget Analyst, at (916) 445-6423.

MICHAEL COHEN
Director
By:

/s/ Amy M. Costa

AMY M. COSTA
Chief Deputy Director

Attachment

cc: Honorable Ricardo Lara, Chair, Senate Appropriations Committee
Attention: Mr. Mark McKenzie, Staff Director
Honorable Jim Nielsen, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Vacant, Appropriations Fiscal Director
Attention: Mr. Kirk Feely, Budget Fiscal Director
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Mr. Mac Taylor, Legislative Analyst (4)
Mr. Craig Cornett, Senate President pro Tempore's Office (2)
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Mr. Seren Taylor, Director of Strategic Policy, Assembly Republican Leader's Office
Mr. Jim Richardson, Policy and Fiscal Director, Assembly Republican Leader's Office
Mr. Mike Wilkening, Undersecretary, California Health and Human Services Agency
Mr. John Wordlaw, Assistant Secretary, California Health and Human Services Agency
Ms. Katie Heidorn, Assistant Secretary, California Health and Human Services Agency
Ms. Sonia Herrera, Chief Administrative and Financial Services, California Health and Human Services Agency
Ms. Elaine Scordakis, Assistant Director, California Office of Health Information Integrity, California Health and Human Services Agency
Mr. John Boule, Director, Office of Systems Integration, California Health and Human Services Agency
Mr. Mike French, Chief Financial Officer, Office of Systems Integration, California Health and Human Services Agency

Amendment to Provision 3 of Item 0530-001-9745:

"3.(a) Of the funds appropriated in this item, ~~\$170,731,000~~ \$169,090,000 is for the support of activities related to the California Healthcare Eligibility, Enrollment, and Retention System project also known as CalHEERS. Expenditure of these funds is contingent upon review and approval of a plan submitted to the Director of Finance.

(b) The Director of Finance may augment this item above the amount specified in subdivision (a) contingent upon review and approval of a revised plan submitted to the Director of Finance."

0530-017-0942—For support of Secretary of California Health and Human Services, payable
from the Special Deposit Fund 800,000

Schedule:

(1) 0285-California Office of Health Information Integrity (CALOHII)..... 800,000



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Honorable Phil Ting, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

**Amendment to Budget Bill Item 4140-401, Support, Office of Statewide Health Planning
and Development**

It is requested that Item 4140-401 be amended to extend the General Fund loan repayment to the Hospital Building Fund from June 30, 2017 to June 30, 2018 (see Attachment 1). The proposed extension of the loan repayment to this fund is the result of decreases in debt payments required by Proposition 2 and a revised evaluation of operational needs from the fund.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Maricris Acon, Principal Program Budget Analyst, at (916) 445-6423.

MICHAEL COHEN
Director
By:

/s/ Amy M. Costa

AMY M. COSTA
Chief Deputy Director

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cc: On following page

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Mr. Jim Richardson, Policy and Fiscal Director, Assembly Republican Leader's Office
Ms. Michelle Baas, Senate Budget and Fiscal Review Committee
Ms. Andrea Margolis, Assembly Budget and Fiscal Review Committee
Ms. Fran Muller, Chief Deputy Director, Office of Statewide Health Planning and Development
Ms. Monica Flowers, Deputy Director, Office of Statewide Health Planning and Development
Mr. Jeff Fowler, Budget Officer, Office of Statewide Health Planning and Development

"4140-401—Notwithstanding Provision 1 of Item 4140-011-0121, Budget Act of 2011 (Ch. 33, Stats. 2011), the \$75,000,000 loan authorized therein shall be repaid to the Hospital Building Fund by June 30, ~~2017~~ 2018 upon order of the Director of Finance."



May 13, 2016

Honorable Mark Leno, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Mark Ibele, Staff Director (2)

Honorable Phil Ting, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

Amendment to Various Budget Bill Items and Reimbursements, Support and Local Assistance, Department of Health Care Services—Medi-Cal and Family Health

Support

Managed Care Enrollee Tax Administration (Issue 401-MR)—It is requested that Items 4260-001-0001 and 4260-001-0890 both be increased by \$120,000 for the administration, calculation, and collection of the new tax on managed care enrollees approved by Chapter 2, Statutes of 2016 (SBX2 2).

Federal Managed Care Regulations Workload (Issue 402-MR)—It is requested that Item 4260-001-0001 be increased by \$4,984,000 and 17.5 positions, and Item 4260-001-0890 be increased by \$5,427,000 and 20.5 positions to implement new federal regulations governing Medicaid managed care plans. This request also supports federal regulations governing access to care for beneficiaries receiving care in the fee-for-service delivery system.

Local Assistance

The average monthly caseload for fiscal year 2016-17 is projected to be 14,119,000 beneficiaries, which represents an increase of 640,600 beneficiaries from the estimate of 13,478,400 beneficiaries reflected in the 2016-17 Governors' Budget. Total Medi-Cal expenditures for 2016-17 are projected to be \$90,152,500,000 (\$17,661,293,000 General Fund), which is a decrease of \$5,114,000,000 (\$1,422,800,000 General Fund) from the Governor's Budget.

Long Term Care Quality Assurance Fund (Issue 565-MR)—The 2016 May Revision includes trailer bill language that would make the Long-Term Care Quality Assurance Fund (Fund 3213), administered by the department, continuously appropriated without regard to fiscal year. This change will align the expenditure authority of programs supported by the Quality Assurance Fund with available fee revenues. Expenditures from the fund are used to offset General Fund expenditures for Long Term Care provider reimbursements. The 2016 May Revision includes an unanticipated current year shortage in spending authority for fund in the amount of \$40,336,000. The shortage in authority is attributable to increased revenues to the fund from the Long Term

Care quality assurance fee, and the Intermediate Care Facility for the Developmentally Disabled fee.

May 2016 Medi-Cal Estimate (Issues 501 and 531-MR)—It is requested that the adjustments noted below be made to the following items to reflect caseload and other miscellaneous adjustments not highlighted in the other Medi-Cal issues included in this letter:

- Item 4260-101-0001 be decreased by \$647,158,000 and reimbursements be increased by \$749,916,000
- Item 4260-101-0890 be increased by \$1,491,171,000
- Item 4260-101-0080 be increased by \$11,000
- Item 4260-101-0232 be increased by \$4,929,000
- Item 4260-101-0233 be increased by \$1,408,000
- Item 4260-101-0236 be increased by \$6,673,000
- Item 4260-101-3168 be increased by \$482,000
- Item 4260-101-3213 be increased by \$41,402,000
- Item 4260-106-0890 be increased by \$1,298,000
- Item 4260-113-0001 be increased by \$184,022,000
- Item 4260-113-0890 be increased by \$558,591,000
- Item 4260-117-0001 be increased by \$145,000
- Item 4260-117-0890 be increased by \$685,000

May 2016 Workload Adjustments (Issues 552, 553, 554, 555-MR)—It is requested that Item 4260-101-0001 be increased by \$73,724,000, and Item 4260-101-0890 be increased by \$2,001,673,000 to reflect workload changes related to End of Life Services (Issue 552-MR), Palliative Care (Issue 553-MR), Scaling and Root Planning Prior Authorization and Preventive Dental Services (Issue 554-MR), and Affordable Care Act Optional Expansion (Issue 555-MR).

Performance Outcomes System (Issue 551-MR)—It is requested that Items 4260-101-0001 and 4260-101-0890 be decreased by \$5,055,000 to reflect the revised implementation timeline and technology costs associated with the functional assessment tool that will be selected as part of Performance Outcomes System. The functional assessment tool will measure the functional impairment of a child receiving mental health services through Medi-Cal to better report on participant outcomes.

Residential Treatment Services Expansion (Issue 556-MR)—It is requested that Item 4260-101-0001 be decreased by \$20,144,000 and Item 4260-101-0890 be decreased by \$31,689,000 to reflect the updated implementation timeframe for the expansion of residential treatment services to non-perinatal beneficiaries. The Department of Health Care Services (DHCS) has received nine county implementation plans to date; however, only one county implementation plan has been approved by DHCS. Prior to implementation, these local plans require approval by participating county boards of supervisors as well as the federal Centers for Medicaid and Medicare Services.

Managed Care Enrollee Tax (Issue 557-MR)—It is requested that Item 4260-101-0001 be decreased by \$1,106,739,000 to reflect the approval of Chapter 2, Statutes of 2016 (SBX2 2), which authorized a tiered, enrollment based tax on health care service plans in order to provide a stable funding mechanism for the Medi-Cal program. The revenue received from the tax funds the non-federal share of capitation payments to managed care plans that provide health care services to Medi-Cal beneficiaries.

Medi-Cal Fiscal Intermediary Adjustments (Issue 559-MR)—It is requested that Item 4260-101-0001 be decreased by \$2,555,000, Item 4260-101-0890 be decreased by \$26,766,000, Item 4260-117-0001 be increased by \$315,000, and Item 4260-117-0890 be increased by \$3,031,000. These changes reflect the stoppage of DHCS' efforts to replace the California Medicaid Management Information System, partially offset by increases associated with close-out activities, transitioning project management to the state, and the procurement of new vendors for the operation of the legacy system and system replacement.

Institutionally Deemed Behavioral Health Treatment (BHT) Population Case Management (Issue 560-MR)—It is requested that Item 4260-101-0001 and Item 4260-101-0890 each be increased by \$1.1 million for case management for current participants of the Home and Community Based Services (HCBS) for the Developmentally Disabled Waiver (Waiver) who will lose their Medi-Cal eligibility in March 2017. These beneficiaries are currently receiving BHT services through the Waiver and are eligible for Medi-Cal through institutional deeming, which requires beneficiaries needing nursing facility level of care, be under the age of 21, live at home, receive at least one HCBS, and are not otherwise eligible for Medi-Cal without a share of cost. The requested funding will allow case managers to help transition the affected beneficiaries into comprehensive health care coverage by March 2017 to avoid gaps in coverage. Trailer bill language is requested to enable procurement of contractors.

Continuum of Care Reform, Specialty Mental Health (Issue 561-MR)—It is requested that Item 4260-101-0001 be increased by \$6,569,000 and Item 4260-101-0890 be increased by \$5,054,000 for county mental health costs to implement Chapter 773, Statutes of 2015 (AB 403), which will improve assessments of foster youth placements, and increase transparency and accountability for child outcomes. These adjustments reflect increased county mental health costs to participate in child and family teams and training for county mental health staff.

Minimum Wage Impact (Issue 562-MR)—It is requested that Item 4260-101-0001 be increased by \$7,067,000 and Item 4260-101-0890 be increased by \$5,086,000 to implement Chapter 4, Statutes of 2016 (SB 3). This request accounts for increased costs in HCBS waiver programs and Long-Term Care facilities rate add-ons as well as savings in the Medi-Cal program due to decreases in eligibility.

BHT Transition (Issue 563-MR)—It is requested that Item 4260-101-0001 be increased by \$87,894,000 and Item 4260-101-0890 be increased by \$115,789,000. These changes reflect costs associated with the transition of Medi-Cal beneficiaries that are existing Department of Developmental Services regional center clients to Medi-Cal for their BHT services.

It is also requested that provisional language in Item 4260-101-0001 be amended to allow the transfer of funding between the Department of Developmental Services to support the transition of current Medi-Cal eligible regional center clients receiving BHT services upon completion of the statewide transition plan (see Attachment 1).

Managed Care Administrative Fines and Penalties Fund (Issue 564 MR)—It is requested that Item 4260-101-0001 be decreased by \$2,016,000. This change reflects trailer bill language to allow the use of administrative fines and penalties revenue over \$1 million for the purpose of funding health care services for children, seniors, persons with disabilities, and dual eligibles in the Medi-Cal program.

Family Health

Family Health May Revision Estimate (Issues 502 and 532-MR)—It is requested that Item 4260-111-0001 be decreased by \$14,748,000 and reimbursements be decreased by \$38,000, Item 4260-111-0080 be decreased by \$11,000, and Item 4260-114-0236 be decreased by \$3,623,000. These changes reflect revised expenditure estimates in the four Family Health programs based on: (1) revised caseload estimates, (2) a decrease in Orkambi pharmaceutical costs in the California Children's Services (CCS) and Genetically Handicapped Persons Program (GHPP), (3) a decrease in average annual cost per case in GHPP, (4) an increase in therapy service costs in the CCS program, and (5) other miscellaneous adjustments.

Trailer Bill Language (TBL)

Covered Outpatient Drugs Final Rule—TBL is requested to provide DHCS authority to comply with the final federal rule related to Medicaid reimbursement for covered outpatient drugs. The final rule, issued on February 1, 2016, requires states to align pharmacy reimbursements with the actual acquisition cost of drugs and to pay an appropriate professional dispensing fee.

Long-Term Care Quality Assurance Fund Continuous Appropriation—TBL is requested to make the Long-Term Care Quality Assurance Fund (Fund 3213), continuously appropriated without regard to fiscal year. This proposal would align the expenditure authority in this program with other DHCS programs supported by fee revenues.

Amendments to the Medi-Cal Program for All-Inclusive Care for the Elderly Modernization TBL—The requested TBL enables modernization of the Program for All-Inclusive Care for the Elderly and allows DHCS to efficiently administer and oversee the program. The amendments to the version proposed at Governor's Budget incorporate changes based on stakeholder feedback.

Expedited Contract Process for Case Managers—TBL is requested to expedite the contract process specific to the procurement of case management for institutionally deemed Medi-Cal beneficiaries. The contract will encourage the transition to comprehensive health coverage effective March 2017.

New Qualified Immigrant Affordability and Benefit Program—TBL is requested to adjust the income eligibility requirements for the New Qualified Immigrant Affordability and Benefit program to no more than 150 percent of the federal poverty level, based on the applicant's eligibility for Advanced Premium Tax Credit, a health insurance federal subsidy. Additionally, the proposed TBL will extend the date for DHCS to promulgate program regulations.

Emergency Medical Air Transportation Act Cleanup—TBL is requested to remove Welfare and Institutions Code section 10752, which was added by Chapter 797, Statutes of 2015 (SB 326).

Drug Medi-Cal Rate Setting Process—TBL is requested to permit rate adjustments by way of bulletin authority or similar instructions to improve administrative efficiencies. Under existing law, Drug Medi-Cal rates are updated annually through regulations based on the cumulative growth in the implicit price deflator for the costs of goods and services to governmental agencies. The annual rates are based either on the developed rates for use in the next fiscal year or the 2009-10 Budget Act rates adjusted for the deflator, whichever is lower.

Electronic Health Records Incentive Program—TBL is requested to increase the existing General Fund annual limit for state administrative costs associated with the implementation of the Medi-Cal Electronic Health Records Incentive Program. This program assists California health care providers transform their practices from paper-based environments to one that leverages electronic health record technology and promotes health information exchange.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Maricris Acon, Principal Program Budget Analyst, at (916) 445-6423.

MICHAEL COHEN

Director

By:

/s/ Amy M. Costa

AMY M. COSTA

Chief Deputy Director

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Ms. Katie Heidorn, Deputy Secretary, Health and Human Services Agency
Mr. Robert Ducay, Assistant Secretary, Health and Human Services Agency
Ms. Sandra Gallardo, Assistant Secretary, Health and Human Services Agency
Ms. Jennifer Kent, Director, Department of Health Care Services
Ms. Karen Johnson, Chief Deputy Director, Department of Health Care Services
Ms. Mari Cantwell, Chief Deputy Director, Department of Health Care Services
Ms. Karen Baylor, Deputy Director, Department of Health Care Services
Ms. Lisa Lassetter, Deputy Director, Administration, Department of Health Care Services
Ms. Kathleen Dong, Budget Officer, Department of Health Care Services
Mr. Marc Lowry, Chief, Fiscal Forecasting Branch, Department of Health Care Services

Amend the following provision in Item 4260-101-0001:

"13. The Department of Finance may authorize the transfer of expenditure authority ~~from~~ between Schedule (2) of item 4300-101-0001 ~~to~~ and Schedule (3) of this item to support the transition of current Medi-Cal eligible regional center clients receiving behavioral health treatment services pursuant to Section 14132.56 of the Welfare and Institutions Code upon completion of the statewide transition plan.

The Director of Finance shall provide notification to the Joint Legislative Budget Committee of any transfer of expenditure authority approved under this provision not less than 30 days prior to the effective date of the approval. The 30-day notification shall include a description of the transfer, including the number of children per regional center affected, the average cost of behavioral health treatment services for a regional center consumer, and the average cost of behavioral health treatment services for a Medi-Cal enrollee, and assumptions used in calculating the amount of expenditure authority to be transferred."



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Amendment to Various Budget Bill Items and Reimbursements, Support and Local Assistance, Department of Public Health

Amend Governor's Budget Change Proposal, Protecting Children from the Damaging Effects of Childhood Lead Poisoning, to add Geographical Information System (GIS) Mapping (Issue 421-MR)—It is requested that Item 4265-001-0080 be increased by \$180,000 in fiscal year 2016-17 and \$320,000 in 2017-18 to add GIS functionality to the Response and Surveillance System for Childhood Lead Exposure. This GIS capability will provide the Department of Public Health (Public Health) with more timely and accurate data regarding childhood lead contamination.

Licensing and Certification: Los Angeles County Contract (Issue 425-MR)—It is requested that Item 4265-001-3098 be increased by \$2,134,000 to provide additional funds for the Licensing and Certification contract with Los Angeles County. This funding will augment the existing contract to reflect employee compensation and benefit rates approved by the Los Angeles County Board of Supervisors. Public Health has contracted with Los Angeles County for the past 30 years to license and certify health care facilities in the County on behalf of the state.

Marijuana Study (Issue 427-MR)—It is requested that Item 4265-111-0001 be increased by \$500,000 for Public Health to participate in a Centers for Disease Control and Prevention Foundation and Institute of Medicine project that seeks to understand the health consequences of marijuana use.

Ebola Emergency Preparedness: Federal Funding Technical Correction (Issue 401-MR)—It is requested that Item 4265-001-0890 be increased by \$3,860,000 and Item 4265-111-0890 be increased by \$11,340,000 to correct federal funding spending levels. These funds were inadvertently reduced during the development of the 2016-17 Governor's Budget. The funding reflects 2015 federal grant award amounts received by Public Health related to the health preparedness planning and operational readiness efforts to respond to the threat of the Ebola virus.

Lease Revenue Bond Adjustments (Issue 403-MR)—It is requested that Items 4265-003-0070, 4265-003-0098, and 4265-003-3098 be decreased by \$1,000; Item 4265-003-0080 be decreased by \$3,000; and Item 4265-003-0203 be decreased by \$5,000 to amend amounts incorrectly reflected in the 2016-17 Governor's Budget.

Lease Revenue Bond Adjustments for General Fund (Issues 407-MR and 408-MR)—It is requested that Item 4265-003-0001 and reimbursements be decreased by \$976,000 to correct amounts reflected in the 2016-17 Governor's Budget.

Proposition 99 Adjustment: Health Education Account (Issue 411-MR)—It is requested that Item 4265-001-0231 be increased by \$2,060,000 and Item 4265-111-0231 be increased by \$40,000, to reflect a projected increase in Proposition 99 revenues. These increases will be used for additional Proposition 99 related media campaign expenditures, competitive grants, and program evaluation activities.

Proposition 99 Adjustment: Research Account (Issue 411-MR)—It is requested that Item 4265-001-0234 be increased by \$226,000, to reflect a projected increase in Proposition 99 revenues. Funds will be used for external research contracts.

Proposition 99 Adjustment: Unallocated Account (Issue 411-MR)—It is requested that Item 4265-001-0236 be increased by \$119,000 to reflect a projected increase in Proposition 99 revenues. The funds will be used for the California Health Interview Survey and external contracts.

May Revision 2016 Estimate: AIDS Drug Assistance Program (ADAP) (Issue 431-MR)—It is requested that Item 4265-111-0890 be increased by \$32,921,000 and the ADAP Rebate Fund be decreased by \$39,206,000. These adjustments reflect: ADAP clients continuing to transition from ADAP to Medi-Cal, clients enrolling directly in Medi-Cal, a delay in the implementation of providing payment of out-of-pocket medical expense services from spring 2016 to July 1, 2016, and the federal Health Resources and Services Administration requirement to spend mandatory rebate funds prior to federal funds.

May Revision 2016 Estimate: Genetic Disease Screening Program (Issue 433-MR)—It is requested that Item 4265-001-0203 be increased by \$1,550,000 in 2016-17; and Item 4265-111-0203 be increased by \$3,970,000 in 2015-16 and \$13,620,000 in 2016-17 as compared to the 2016-17 Governor's Budget. With this funding, the Genetic Disease Screening Program (GDSP) will purchase equipment to test for adrenoleukodystrophy, as recommended by the federal Recommended Uniform Screening Panel and mandated by Chapter 565, Statutes of 2014 (AB 1559). GDSP will also: (1) contract with a third-party to provide medical billing services for the Prenatal Screening program; (2) transition the Screening Information System from the Department of Health Care Services to Public Health; (3) contract for services, including billing support, and secure payment services (lock box); and (4) address increased specimen shipping costs.

May Revision 2016 Estimate: Women, Infants, and Children Program (Issue 435-MR)—It is requested that Item 4265-111-0890 be decreased by \$18,276,000 and Item 4265-111-3023 be increased by \$345,000 to reflect updated caseload and food expenditure projections.

The effect of my requested action is reflected in the attachment.

If you have any questions or need additional information regarding this matter, please call Barbara Taylor, Principal Program Budget Analyst, at (916) 445-6423.

MICHAEL COHEN

Director

By:

/s/ Amy M. Costa

AMY M. COSTA

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Mr. Michael Wilkening, Undersecretary, Health and Human Services Agency
Ms. Janne Olson-Morgan, Assistant Secretary, Health and Human Services Agency
Mr. Marko Mijic, Assistant Secretary, Health and Human Services Agency
Dr. Karen Smith, Director and State Public Health Officer, California Department of Public Health
Ms. Claudia Crist, Chief Deputy Director of Policy and Programs, California Department of Public Health
Mr. Brandon Nunes, Chief Deputy Director of Operations, California Department of Public Health
Mr. Alan Lum, Deputy Director, Administration Division, California Department of Public Health
Ms. Rebecca Lee, Chief, Financial Management Branch, California Department of Public Health



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Attention: Mr. Christian Griffith, Chief Consultant (2)

Amendment to Budget Bill Items 4300-001-0001 and 4300-003-0001, Support, and Item 4300-101-0001, Local Assistance, and Reimbursements, Department of Developmental Services

Headquarters

Headquarters Resources to Implement the Provisions of Chapter 3, Statutes of 2016, Second Extraordinary Session (ABX2 1) (Issues 400-MR and 500-MR)—It is requested that Item 4300-001-0001 be increased by \$513,000 and 5 positions, and reimbursements be increased by \$239,000, to provide state-level oversight of recent augmentations to community-based services, develop guidelines to implement the Competitive Integrated Employment program, and provide additional support and oversight of the provider rate study required by ABX2 1.

Developmental Centers

Independent Monitoring Contract for Fairview and Porterville Developmental Centers (Issues 401-MR and 501-MR)—It is requested that Item 4300-003-0001 be increased by \$1,164,000 and reimbursements be increased by \$736,000 to fund an independent monitoring contract as part of the anticipated settlement agreements with the federal Centers for Medicare and Medicaid Services (CMS) for Fairview Developmental Center and the General Treatment Area of Porterville Developmental Center. Independent monitoring is required by the settlement agreement currently in place for Sonoma Developmental Center and the Department of Developmental Disabilities (DDS) expects a similar requirement for Fairview and Porterville.

Office of Protective Services Record Management System (Issues 402-MR and 502-MR)—It is requested that Item 4300-003-0001 be decreased by \$249,000 and reimbursements be decreased by \$158,000 to eliminate the augmentation requested in the 2016-17 Governor's Budget to purchase a record management system for the Office of Protective Services. DDS will absorb the purchase of this database software within its fiscal year 2015-16 resources.

Developmental Center Audit Findings (Issue 406-MR)—It is requested that Item 4300-003-0001 be decreased by \$3,800,000 to eliminate the augmentation requested in the 2016-17 Governor's Budget for audit repayments to CMS for 2011-12. The overall amount owed to CMS has decreased as a result of audit appeals and sufficient authority is available in the current year to make payments for amounts owed from 2008-09 through 2011-12.

Regional Centers

Caseload Adjustments (Issues 404-MR, 407-MR, 503-MR and 507-MR)—It is requested that Item 4300-101-0001 be decreased by \$1,485,000 and reimbursements be increased by \$2,994,000. These changes reflect updated expenditures in caseload-driven operations and purchase of services costs.

Fair Labor Standards Act Implementation (Issues 408-MR and 508-MR)—It is requested that Item 4300-101-0001 be decreased by \$19,266,000 and reimbursements be decreased by \$16,463,000 to reflect the updated expenditure data used to estimate the impact of changes to the federal Fair Labor Standards Act.

Behavioral Health Treatment (BHT) (Issues 409-MR, 410-MR, 416-MR, 509-MR, 510-MR, and 516-MR)—It is requested that Item 4300-101-0001 be adjusted as follows:

- Increased by \$352,000 and reimbursements increased by \$352,000 to reflect the updated estimates of children receiving BHT services (Issues 409-MR and 509-MR).
- Decreased by \$69,720,000 and reimbursements decreased by \$71,497,000 to reflect reduced costs for regional centers as consumers transition to Medi-Cal managed care plans for BHT services (Issues 410-MR and 510-MR).
- Decreased by \$6,085,000 and reimbursements increased by \$12,171,000 to reflect costs for regional centers as consumers transition to Medi-Cal fee-for-service for BHT services (Issues 416-MR and 516-MR).

The Department of Health Care Services (DHCS) will reimburse DDS for BHT services for approximately 1,300 consumers that have transitioned to Medi-Cal fee-for-service. Additionally, a technical amendment to provisional language is requested to permit the transfer of funds between DDS and DHCS to provide flexibility during the transition (see Attachment 1).

Chapter 317, Statutes of 2014 (AB 1522): Paid Sick Leave (Issues 411-MR, and 511-MR)—It is requested that Item 4300-101-0001 be decreased by \$3,571,000 and reimbursements be decreased by \$2,746,000 to reflect updated expenditure data for costs associated with AB 1522, which requires employers to provide up to three sick leave days per year.

Chapter 3, Statutes of 2016, Second Extraordinary Session (ABX2 1) Administrative and Community-Based Resources (Issues 412-MR, 413-MR, 414-MR, 512-MR, 513-MR and 514-MR)—It is requested that Item 4300-101-0001 be increased by \$6,063,000 and reimbursements be increased by \$1,441,000 to provide funding for a provider rate study and 42 positions at regional centers to oversee the implementation of programs to reduce cultural disparities and provide competitive integrated employment opportunities for individuals with developmental disabilities. Effective July 1, 2016, AB X2 1 appropriated \$287 million General Fund to support specified rate adjustments for community-based providers serving individuals with developmental disabilities, establish a competitive integrated employment

program, and implement recommendations related to cultural disparities. DDS and regional center administrative costs were recognized at the time of the development of ABX2 1, but were not included in the appropriation.

It is also requested that reimbursements of \$14 million to reflect increased funding for regional center operations and \$172.2 million to reflect increased funding for community-based services provided through regional centers, be included in a non-Budget Act item associated with the ABX2 1 appropriations.

Chapter 4, Statutes of 2016 (SB 3) Minimum Wage Increase (Issues 415-MR and 515-MR)—It is requested that Item 4300-101-0001 be increased by \$12,001,000 and reimbursements be increased by \$9,244,000 to provide funding for the minimum wage increase beginning January 1, 2017 to \$10.50 per hour. SB 3 provides for a series of scheduled increases to the state's minimum wage such that, depending on economic and budgetary conditions, the minimum wage would reach \$15.00 per hour by January 1, 2022, after which it would be indexed to inflation.

Technical Adjustment: Home and Community-Based Services, New Regulations Workload (Issues 417-MR and 517-MR)—It is requested that \$1.6 million be transferred from the purchase of services program to the operations program. This correctly reflects the schedule of funding proposed at Governor's Budget for new positions at regional centers to oversee the Home and Community-Based Services waiver implementation in the operations program.

Language

Provisional Language: Retention Stipends for Developmental Center Staff (Issue 418-MR)—It is requested that provisional language be added to Item 4300-003-0001 to authorize an extended encumbrance period for the payment of retention stipends available to developmental center employees during the closure process (see Attachment 2).

Trailer Bill Language: Extend Special Managed Care Provisions for Developmental Center Closures—Trailer bill language is requested to extend managed care provisions for Medi-Cal eligible individuals at the developmental centers that transition to the community and need coordinated medical and specialty care as documented in their individual program plan. The provisions of existing law were originally enacted during the Agnews and Lanterman Developmental Center closures. These specified managed care provisions include access to specialized medical care, enhanced case management, and expedited enrollment services.

Trailer Bill Language: Exemption to Become a Regional Center Vendor—Trailer bill language is requested to allow developmental center employees working at facilities slated for closure to become service providers prior to termination of their state employment. Currently, state employment must be terminated prior to becoming a vendor, resulting in a loss of income during the start-up period, which can take up to one year. The goal of this proposal is to encourage well-trained and experienced developmental center employees to become community providers and assist with continuity of care for consumers transitioning out of developmental centers.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Carla Castañeda, Principal Program Budget Analyst. at (916) 445-6423.

MICHAEL COHEN

Director

By:

/s/ Amy M. Costa

AMY M. COSTA

Chief Deputy Director

Attachment

cc: Honorable Ricardo Lara, Chair, Senate Appropriations Committee
Attention: Mr. Mark McKenzie, Staff Director
Honorable Jim Nielsen, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Vacant, Appropriations Fiscal Director
Attention: Mr. Kirk Feely, Budget Fiscal Director
Honorable Lorena Gonzalez, Chair, Assembly Appropriations Committee
Attention: Mr. Pedro R. Reyes, Chief Consultant
Honorable Jay Obernolte, Vice Chair, Assembly Budget Committee
Attention: Mr. Eric Swanson, Staff Director
Honorable Holly J. Mitchell, Chair, Senate Budget and Fiscal Review Subcommittee No. 3
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Mr. Craig Cornett, Senate President pro Tempore's Office (2)
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Mr. Seren Taylor, Director of Strategic Policy, Assembly Republican Leader's Office
Mr. Jim Richardson, Policy and Fiscal Director, Assembly Republican Leader's Office
Mr. Michael Wilkening, Undersecretary, Health and Human Services Agency
Mr. Kristopher Kent, Assistant Secretary, Health and Human Services Agency
Ms. Nancy Bargmann, Director, Department of Developmental Services
Mr. John Doyle, Chief Deputy Director, Department of Developmental Services
Ms. Jean Johnson, Deputy Director, Administrative Services, Department of Developmental Services
Ms. Jennifer Harris, Chief, Fiscal Forecasting Branch, Department of Developmental Services

Amend the following provision in Item 4300-101-0001:

"7. The Department of Finance may authorize the transfer of expenditure authority from between Schedule (2) 4140019 Purchase of Services to and Schedule (3) 3960022 Benefits (Medical Care and Services) of Item 4260-101-0001 to support the transition of current Medi-Cal eligible regional center consumers receiving behavioral health treatment services pursuant to Section 14132.56 of the Welfare and Institutions Code, upon completion of the statewide transition plan.

The Director of Finance shall provide notification to the Joint Legislative Budget Committee of any transfer of expenditure authority approved under this provision not less than 30 days prior to the effective date of the approval. The 30-day notification shall include a description of the transfer, including the number of children per regional center affected, the average cost of behavioral health treatment services for a regional center consumer, the average cost of behavioral health treatment services for a Medi-Cal enrollee, and assumptions used in calculating the amount of expenditure authority to be transferred."

Add the following provision to Item 4300-003-0001:

6. The funds appropriated in Item 9800-001-0001 for the Department of Developmental Services to provide developmental center employees at Sonoma, Fairview, and Porterville General Treatment Area with a retention stipend during the closure period shall be available for encumbrance until June 30, 2021, and available for liquidation until December 31, 2021. The Department shall report annually on the number of employees receiving payments and the amount of payments made from this appropriation.



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May 13, 2016

Honorable Mark Leno, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Mark Ibele, Staff Director (2)

Honorable Phil Ting, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

**Amendment to Budget Bill Item 4440-011-0001 and Reimbursements, Support,
Department of State Hospitals**

Coleman Monitoring Team (Issue 010-MR)—It is requested that Item 4440-011-0001 be increased by \$876,000 and 4 positions to establish a *Coleman* monitoring team within the Department of State Hospitals (DSH) to coordinate and monitor implementation of the Special Master's recommendations to improve inpatient care for *Coleman* patients at each facility. Given the number of recommendations DSH will be implementing, these resources will be used to address the increased workload to evaluate and coordinate those efforts.

Napa State Hospital 60-Bed Expansion (Issue 040-MR)—It is requested that Item 4440-011-0001 be increased by \$12,857,000 and 113.8 positions for the activation of 60 beds at Napa State Hospital. There are currently over 450 Incompetent to Stand Trial (IST) commitments and over 30 Not Guilty by Reason of Insanity (NGI) commitments awaiting admission to a state hospital (as of May 2016). This proposal would result in a net increase of 50 beds to serve IST commitments and 10 beds to serve NGI commitments, effective September 1, 2016. Additionally, trailer bill language is requested to increase the number of forensic patients that may be treated at Napa State Hospital.

Metropolitan State Hospital 36-Bed Expansion (Issues 080-MR and 085-MR)—It is requested that Item 4440-011-0001 be increased by \$5,277,000 and reimbursements be increased by \$2,262,000 to support 61.7 positions for the activation of 36 beds at Metropolitan State Hospital. This proposal would result in a net increase of 25 IST beds and 11 Lanterman-Petris-Short (civil commitment) beds and would help to address the increasing waitlist. The waitlist (as of May 2016) includes 50 pending civil commitment admissions and over 450 pending IST commitment admissions.

Jail-Based Restoration of Competency Program Expansion (Issue 060-MR)—It is requested that Item 4440-011-0001 be increased by \$2,736,000 to contract for approximately 25 beds in the Jail-Based Restoration of Competency Program serving IST commitments. In addition, these funds will support 1 position that provides oversight of the expanded program. DSH continues to work with counties to identify additional expansion opportunities throughout the state, and anticipates an activation date of January 2017 for these 25 beds. Provisional language is also requested to authorize expenditures proposed at Governor's Budget as well as

these proposed resources once a contract has been executed (see Attachment 1). Although now activated, the delay in the expansion of jail-based restoration of competency programs authorized in the current year has resulted in one-time General Fund savings of \$607,000 since Governor's Budget.

Conditional Release Program (CONREP) Transitional Housing (Issue 100-MR)—It is requested that Item 4440-011-0001 be increased by \$1,586,000 General Fund to activate up to 26 transitional beds for CONREP patients. These Statewide Transitional Residential Program beds provide temporary housing for CONREP patients that require direct supervision to live in the community. There is currently one CONREP transitional care facility with 17 beds in Los Angeles County, and DSH is requesting funding to activate additional transitional housing beds at a cost of \$61,000 per bed annually. The proposed contract rate is consistent with the rate for the existing beds.

Napa State Hospital Earthquake Repairs (Issue 110-MR)—It is requested that Item 4440-011-0001 be decreased by \$989,000 General Fund to reflect updated costs associated with the repair of damages sustained at Napa State Hospital during the August 2014 earthquake. It is anticipated that \$989,000 will be spent in fiscal year 2015-16, resulting in current year savings of \$4,736,000 General Fund. This results in a reduced need of \$989,000 in 2016-17. Federal reimbursement was authorized for 75 percent of approved repair costs by the Federal Disaster for the South Napa Earthquake event. These reimbursements require initial General Fund expenditures; however, reimbursements are not expected until 2017-18.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Carla Castañeda, Principal Program Budget Analyst, at (916) 445-6423.

MICHAEL COHEN

Director

By:

/s/ Amy M. Costa

AMY M. COSTA

Chief Deputy Director

Attachment

cc: On following page

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Attention: Mr. Mark McKenzie, Staff Director
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Attention: Mr. Eric Swanson, Staff Director
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Honorable Tony Thurmond, Chair, Assembly Budget Subcommittee No. 1
Mr. Mac Taylor, Legislative Analyst (4)
Mr. Craig Cornett, Senate President pro Tempore's Office (2)
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Mr. Seren Taylor, Director of Strategic Policy, Assembly Republican Leader's Office
Mr. Jim Richardson, Policy and Fiscal Director, Assembly Republican Leader's Office
Mr. Michael Wilkening, Undersecretary, Health and Human Services Agency
Mr. Kristopher Kent, Assistant Secretary, Health and Human Services Agency
Ms. Pam Ahlin, Director, Department of State Hospitals
Ms. Stephanie Clendenin, Chief Deputy Director, Department of State Hospitals
Ms. Lupe Alonzo-Diaz, Deputy Director, Department of State Hospitals
Ms. Lizabeth Peralta, Chief Financial Officer, Department of State Hospitals
Ms. Stacey Camacho, Budget Officer, Administration, Department of State Hospitals

Add the following provision to Item 4440-011-0001:

12. Of the funds appropriated in Schedule (2), up to \$4,025,000 is available for additional restoration of competency contracts. The Department of Finance may authorize these expenditures upon completed contract negotiations and county approval of program expansion. The Department of Finance shall notify the Legislature within 10 days of authorizing expenditures for this purpose.



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May 13, 2016

Honorable Mark Leno, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Mark Ibele, Staff Director (2)

Honorable Phil Ting, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

Amendment to Budget Bill Item 5160-001-0001, Support, Department of Rehabilitation

Department of Rehabilitation Supported Employment Rate Increase (Issue 401-MR)—It is requested that Item 5160-001-0001 be increased by \$500,000 to reflect an increase to the supported employment provider hourly rate consistent with the provisions of Chapter 3, Statutes of 2016, Second Extraordinary Session (ABX2 1). ABX2 1 required the Department of Developmental Services to increase the supported employment hourly rate by \$3.42. To avoid disparity and competition among service providers, an identical rate increase is necessary for supported employment providers serving Department of Rehabilitation consumers.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Kris Cook, Principal Program Budget Analyst, at (916) 445-6423.

MICHAEL COHEN
Director
By:

/s/ Amy M. Costa

AMY M. COSTA
Chief Deputy Director

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Mr. Jim Richardson, Policy and Fiscal Director, Assembly Republican Leader's Office
Mr. Michael Wilkening, Undersecretary, Program and Fiscal Affairs, Health and Human Services Agency
Mr. Kris Kent, Assistant Secretary, Health and Human Services Agency
Mr. Joe Xavier, Director, Department of Rehabilitation
Mr. Juney Lee, Chief Deputy Director, Department of Rehabilitation



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Honorable Phil Ting, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

**Amendment to Budget Bill Items 5175-101-0890 and 5175-101-8004, Local Assistance,
Department of Child Support Services**

Department of Child Support Services May Revision Estimate (Issue 401-MR)—It is requested that Item 5175-101-8004 be decreased by \$407,000 and Item 5175-101-0890 be increased by \$407,000 to reflect a projected increase in Federal Performance Incentive Funds and a corresponding decrease in Child Support Collection Recovery Funds.

Child Support Non-Custodial Parent Employment Demonstration Project Carryover (Issue 403-MR)—It is requested that Item 5175-101-0890 be increased by \$587,000 to reflect the estimated amount of unspent federal Child Support Non-Custodial Parent Employment Demonstration Project funds carried forward to fiscal year 2016-17. These one-time grant funds will be used to continue efforts to engage low-income non-custodial parents with job placement and retention, provide child support case management, and provide parenting peer support. The unspent funds result from a projected decrease in 2015-16 enrollment in the demonstration project.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Kris Cook, Principal Program Budget Analyst, at (916) 445-6423.

MICHAEL COHEN

Director

By:

/s/ Amy M. Costa

AMY M. COSTA
Chief Deputy Director

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Mr. Jim Richardson, Policy and Fiscal Director, Assembly Republican Leader's Office
Mr. Michael Wilkening, Undersecretary, Program and Fiscal Affairs, Health and Human
Services Agency
Mr. John Wordlaw, Assistant Secretary, Health and Human Services Agency
Ms. Alisha Griffin, Director, Department of Child Support Services
Mr. Mark Beckley, Chief Deputy Director, Department of Child Support Services



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May 13, 2016

Honorable Mark Leno, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Mark Ibele, Staff Director (2)

Honorable Phil Ting, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

Amendment to and Addition of Various Budget Bill Items and Reimbursements, Local Assistance, Department of Social Services

It is requested that the following local assistance items for the Department of Social Services (DSS) be amended to reflect a net increase of \$649,936,000. This increase is comprised of \$443,202,000 General Fund, \$1,053,000 Child Support Collections Recovery Fund, \$164,000 State Children's Trust Fund, and \$455,353,000 reimbursements, partially offset by decreases of \$236,210,000 Children's Health and Human Services Special Fund and \$13,626,000 Federal Trust Fund.

May Revision Caseload Adjustments (Issues 401-MR and 402-MR)—The May Revision proposes a net increase of \$161,243,000 (increases of \$81,380,000 General Fund, \$375,460,000 reimbursements, \$1,053,000 Child Support Collections Recovery Fund, \$164,000 State Children's Trust Fund, partially offset by a decrease of \$296,814,000 Federal Trust Fund) primarily resulting from updated caseload estimates since the Governor's Budget. Realigned programs are displayed for the purpose of federal fund and other technical adjustments. Caseload and workload changes since the Governor's Budget are displayed in the following table:

Program	Item	Change from Governor's Budget
California Work Opportunity and Responsibility to Kids (CalWORKs)	5180-101-0001	-\$32,628,000
	5180-101-0890	-\$264,811,000
	Reimbursements	\$14,000
Kinship Guardianship Assistance Payment	5180-101-0001	-\$1,295,000
Supplemental Security Income/State Supplementary Payment (SSI/SSP)	5180-111-0001	-\$39,826,000
In-Home Supportive Services (IHSS)	5180-111-0001	\$184,401,000
	Reimbursements	\$415,908,000
Other Assistance Payments	5180-101-0001	-\$2,670,000
	5180-101-0890	-\$33,000
County Administration and Automation Projects	5180-141-0001	-\$28,487,000
	5180-141-0890	-\$49,295,000
	Reimbursements	\$59,711,000
Community Care Licensing	5180-151-0001	-\$1,430,000
	5180-151-0890	-\$165,000
Special Programs	5180-151-0001	\$35,000
Realigned Programs		
Adoption Assistance Program	5180-101-0001	-\$23,000
	5180-101-0890	\$1,008,000
Foster Care	5180-101-0001	\$132,000
	5180-101-0890	\$3,603,000
	5180-101-8004	\$1,053,000
	5180-141-0001	\$3,000
	5180-141-0890	-\$182,000
Child Welfare Services (CWS)	5180-151-0001	\$3,054,000
	5180-151-0803	\$164,000
	5180-151-0890	\$11,663,000
	Reimbursements	-\$110,598,000
Title IV-E Waiver	5180-153-0001	\$114,000
	5180-153-0890	\$1,398,000
Adult Protective Services	Reimbursements	\$10,425,000

Temporary Assistance for Needy Families (TANF) Block Grant Funds Transfer to California Student Aid Commission (Issue 405-MR)—It is requested that Item 5180-101-0890 be increased by \$282,965,000 to reflect an increase in the amount of federal TANF block grant funds available to offset General Fund costs in the Cal Grant program administered by the California Student Aid Commission. An increase in unspent TANF funds from prior years, decrease in the CalWORKs caseload projection, an increase in 1991-92 realignment revenues, and other TANF and TANF maintenance-of-effort funding adjustments result in excess TANF funds (see Item 6980-101-0001, Issues 307-MR and 308-MR).

Commodity Supplemental Food Program Transfer (Issue 406-MR)—It is requested that Item 5180-101-0890 be increased by \$4,433,000 to reflect the transfer of the federal Commodity Supplemental Food Program from the California Department of Education (CDE) to DSS. The program originally provided food assistance to low-income seniors, women, infants, and children. However, changes to federal law in 2014 restricted program eligibility to low-income seniors. Recognizing the program's new target population is now more closely aligned with the mission of DSS, CDE agreed to transfer the program to DSS.

Continuum of Care Reform (Issue 407-MR)—It is requested that Item 5180-101-0001 be increased by \$20,143,000, Item 5180-101-0890 be decreased by \$891,000, Item 5180-151-0001 be increased by \$21,497,000, Item 5180-151-0890 be increased by \$11,597,000, Item 5180-153-0001 be increased by \$18,227,000, and Item 5180-153-0890 be decreased by \$11,536,000 to implement all components of the Continuum of Care Reforms that pertain to local child welfare services agencies and probation departments. The updated costs primarily reflect an increase to the county administrative hourly rate for new administrative activities, additional participation hours for child and family teams, and additional funding for foster parent recruitment, retention, and support.

Cost-of-Living Adjustment for the State Supplementary Payment Program (Issue 408-MR)—It is requested that Item 5180-111-0001 be decreased by \$4,203,000 to reflect the revised costs of providing a one-time cost-of-living adjustment to the State Supplementary Payment portion of the SSI/SSP grant, effective January 1, 2017. The decreased costs are primarily due to a nominal decrease in the California Necessities Index for fiscal year 2016-17.

Restoration of the IHSS 7-Percent Across-the-Board Reduction (Issues 411-MR and 412-MR)—It is requested that Item 5180-111-0001 be increased by \$265,835,000, Item 5180-111-3156 be decreased by \$236,210,000, and reimbursements be increased by \$34,826,000 to reflect restoration of the 7-percent across-the-board reduction to IHSS authorized hours using General Fund instead of Managed Care Organization (MCO) tax proceeds. The restoration is proposed to remain in effect until the MCO tax expires pursuant to current law or unless the federal government rejects the tax, whichever occurs earlier.

Universal Assessment Tool (Issues 413-MR and 414-MR)—It is requested that Item 5180-111-0001 be decreased by \$1,255,000 and reimbursements be decreased by \$1,245,000 to reflect a delay in implementation of the Universal Assessment Tool pilot. The updated cost estimate reflects a more refined timeline which includes finalizing the assessment tool to be used for pilot testing, implementing the pilot testing in the selected counties, and assessing the impact of the tool on counties and information technology systems.

IHSS Overtime Restriction Exemptions (Issues 417-MR and 418-MR)—It is requested that Item 5180-111-0001 be increased by \$22,277,000 and reimbursements be increased by \$25,122,000 to reflect costs associated with exempting providers who meet specified criteria

from IHSS overtime restrictions contained in Chapter 29, Statutes of 2014 (SB 855). Exemptions will be available for live-in family care providers who, as of January 31, 2016, reside in the home of two or more disabled minor or adult children or grandchildren for whom they provide services. A second type of exemption will be considered for recipients with extraordinary circumstances and granted on a case-by-case basis. Under either exemption, the maximum number of hours for a provider may work cannot exceed 360 hours per month.

Able-Bodied Adults Without Dependents (ABAWD) Automation (Issue 419-MR)—It is requested that Item 5180-141-0001 be increased by \$1,484,000 and Item 5180-141-0890 be increased by \$2,120,000 for automation costs related to the expiration of the statewide federal ABAWD waiver. ABAWDs between the ages of 17 and 50 years are required to meet federal Supplemental Nutrition Assistance Program work requirements in order to receive CalFresh program benefits. Since October 2008, the state has operated under a statewide waiver that exempts ABAWDs from federal work requirements. The federal waiver is set to expire on December 31, 2017. Prior to the expiration of the waiver, the Statewide Automated Welfare System will need to be updated to track the affected population.

Reappropriation of Funding for the CalWORKs Housing Support Program and Fraud Recovery Incentive Payments (Issue 420-MR)—It is requested that Item 5180-493 be amended to extend the availability of funds appropriated in the 2015 Budget Act for the Housing Support Program for an additional year. The 2015 Budget Act included \$35 million General Fund for the program. Twenty-four counties were newly awarded grants in 2015-16 and require additional time to fully expend their allocations as they ramp up program activities. As such, amendments are proposed to reappropriate the 2015-16 funding until June 30, 2017. In addition, a technical change is requested to extend the availability of federal funds for fraud recovery incentive payments to counties until June 30, 2016 (see Attachment 1).

Reappropriation of Funding for Various Child Welfare Services Items (Issue 421-MR)—It is requested that Item 5180-492 be added to extend the availability of funds appropriated in the 2015 Budget Act for counties to perform various child welfare services administrative activities. The 2015 Budget Act appropriated \$49 million General Fund for counties to comply with new state and federal child welfare services requirements. Counties require additional time to expend these funds. As such, language is proposed to reappropriate the 2015-16 funding until June 30, 2017 (see Attachment 2).

IHSS Minimum Wage Impact (Issues 422-MR and 423-MR)—It is requested that Item 5180-111-0001 be increased by \$18,433,000 and reimbursements be increased by \$21,190,000 to reflect costs associated with Chapter 4, Statutes of 2016 (SB 3), which increases the state minimum wage from \$10.00 to \$10.50 per hour, effective January 1, 2017.

California Food Assistance Program Minimum Wage Impact (Issue 424-MR)—It is requested that Item 5180-101-0001 be decreased by \$159,000 to reflect the impact of SB 3, which increases the state minimum wage from \$10.00 to \$10.50 per hour, effective January 1, 2017.

CalWORKs Minimum Wage Impact (Issue 425-MR)—It is requested that Item 5180-101-0001 be decreased by \$457,000 and Item 5180-101-0890 be decreased by \$5.5 million to reflect the impact of SB 3, which increases the state minimum wage from \$10.00 to \$10.50 per hour, effective January 1, 2017.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Yang Lee, Principal Program Budget Analyst, or Kris Cook, Principal Program Budget Analyst, at (916) 445-6423.

MICHAEL COHEN

Director

By:

/s/ Amy M. Costa

AMY M. COSTA

Chief Deputy Director

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Attention: Vacant, Appropriations Fiscal Director
Attention: Mr. Kirk Feely, Budget Fiscal Director
Honorable Lorena Gonzalez, Chair, Assembly Appropriations Committee
Attention: Mr. Pedro R. Reyes, Chief Consultant
Honorable Jay Obernolte, Vice Chair, Assembly Budget Committee
Attention: Mr. Eric Swanson, Staff Director
Honorable Holly J. Mitchell, Chair, Senate Budget and Fiscal Review Subcommittee No. 3
Honorable Tony Thurmond, Chair, Assembly Budget Subcommittee No. 1
Mr. Mac Taylor, Legislative Analyst (4)
Mr. Craig Cornett, Senate President pro Tempore's Office (2)
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Mr. Seren Taylor, Director of Strategic Policy, Assembly Republican Leader's Office
Mr. Jim Richardson, Policy and Fiscal Director, Assembly Republican Leader's Office
Mr. Michael Wilkening, Undersecretary, California Health and Human Services Agency
Mr. John Wordlaw, Assistant Secretary, California Health and Human Services Agency
Ms. Pat Leary, Chief Deputy Director, Department of Social Services
Mr. Brian Dougherty, Deputy Director, Administration Division, Department of Social Services
Ms. Lilia Young, Chief Financial Management and Contracts Branch, Department of Social Services
Mr. John Boule, Director, Office of Systems Integration, California Health and Human Services Agency
Ms. Amy Tong, Chief Deputy Director, Office of Systems Integration, California Health and Human Services Agency
Mr. Matt Schueller, Chief Administrative Officer, Office of Systems Integration, California Health and Human Services Agency

"5180-493—Reappropriation, State Department of Social Services. The balances of the appropriations provided in the following citations are reappropriated pursuant to Provision 4 for the purposes provided for in those appropriations and are shall be available for encumbrance or expenditure until June 30, 2017:

0001—General Fund

(1) Item 5180-101-0001, Budget Act of 2015 (Chs. 10 and 11, Stats. 2015)

- (1) Funds allocated to counties pursuant to Provision 10 of Item 5180-101-0001 of the Budget Act of 2015 for housing support for those families in receipt of CalWORKs as required by Sections 11330 and 11330.5 of the Welfare and Institutions Code but unexpended as of June 30, 2016, shall be reappropriated for transfer to and in augmentation of the corresponding items in this act.

0890—Federal Trust Fund

- (1) Item 5180-101-0890, Budget Act of 2011 (Ch. 33, Stats. 2011)
- (2) Item 5180-101-0890, Budget Act of 2012 (Chs. 21 and 29, Stats. 2012)
- (3) Item 5180-101-0890, Budget Act of 2013 (Ch. 20, Stats. 2013)
- (4) Item 5180-101-0890, Budget Act of 2014 (Ch. 25, Stats. 2014)

Provisions:

4. (1) Funds for fraud recovery incentive payments earned by counties in accordance with subdivision (j) of Section 11486 of the Welfare and Institutions Code, but unexpended as of June 30, ~~2015~~ 2016 shall be reappropriated for transfer to and in augmentation of Item 5180-101-0890 of Section 2.00."

5180-492—Reappropriation, Department of Social Services. The unexpended balances from the following citations are reappropriated for transfer to and augmentation of the following items and shall be available for encumbrance or expenditure until June 30, 2017:

0001—General Fund

(1) Up to \$14,000,000 appropriated for the Commercially Sexually Exploited Children Program in Schedule (1) of Items 5180-151-0001 and 5180-153-0001 of the Budget Act of 2015 (Chs. 10 and 11, Stats. 2015) to Items 5180-151-0001 and 5180-153-0001 of Section 2.00 of the Budget Act of 2016.

(2) Up to \$17,193,000 appropriated for the purpose of recruiting, retaining, and supporting foster care parents and relative caregivers in Schedule (1) of Items 5180-151-0001 and 5180-153-0001 of the Budget Act of 2015 (Chs. 10 and 11, Stats. 2015) to Items 5180-151-0001 and 5180-153-0001 of Section 2.00 of the Budget Act of 2016.

(3) Up to \$18,074,000 appropriated for Child Welfare Services Case Record Reviews, After 18 Supervised Independent Living Placement Infant Payment, After Terminated Guardianship, Sibling Visitation, and Strengthening Families Act in Schedule (1) of Items 5180-151-0001 and 5180-153-0001 of the Budget Act of 2015 (Chs. 10 and 11, Stats. 2015) to Items 5180-151-0001 and 5180-153-0001 of Section 2.00 of the Budget Act of 2016.